

**Testimony of The Honorable Richard Lugar**  
**Senate Finance Committee Hearing on Charitable Tax Provisions**  
**March 14<sup>th</sup>, 2001**

Mr. Chairman, Senator Baucus and other distinguished colleagues, I am pleased to be here today to describe important legislation that will help to fill the shelves of our nation's food banks. I became involved with this legislative effort more than a year ago after visiting and talking with many food bank volunteers in my home state of Indiana. I am confident that this legislation is an effective approach to addressing hunger in America through our existing network of food banks, church pantries and soup kitchens.

In January, Senator Leahy (D-VT) and I introduced S. 37, the Good Samaritan Hunger Relief Tax Incentive Act. Today in the House of Representatives, Congressmen Tony Hall (D-OH) and Richard Baker (R-LA) are expected to introduce companion legislation. This bipartisan bill will provide important tax incentives to our nation's farmers, restaurant owners and corporations to donate food to hunger relief organizations.

The fact is that the demand on our nation's pantries, soup kitchens and shelters continues to rise. According to an August 2000 report on Hunger Security by the U.S. Department of Agriculture, 31 million Americans, around 10 percent of our citizens, are living in food insecure households in which family members go hungry at times throughout the year because of insufficient money for food. Although this number has declined by 12 percent since 1995, everyone agrees that this figure remains too high.

One segment of our population – families with incomes between 50 and 130 percent of the poverty level – actually experienced an increase in the number of households that were food insecure. This study confirms what food banks on the front lines have been telling us – while families are transitioning from welfare to work, many remain vulnerable to hunger and are using food banks to supplement their nutritional needs.

Unfortunately, food banks cannot meet this increased demand for food. A December 2000 study by the U.S. Conference of Mayors found that requests for emergency food assistance increased by an average of 17 percent in American cities over the previous year and that 13 percent of emergency food requests went unmet.

Statistics by the United States Department of Agriculture show that up to 96 billion pounds of food goes to waste each year in the United States. If a small percentage of this wasted food could be redirected to food banks, we could make important strides in our fight against hunger.

In many ways, current tax law is a hindrance to food donations. The tax code provides corporations with a special deduction for donations to food banks, but it excludes farmers, ranchers and restaurant owners from donating food using the same tax incentive. For many of

these businesses, it is actually more cost effective to throw away food than to donate it to charity. This should not be the case.

In the past, food banks benefitted from the inefficiencies of manufacturing, gaining donations from over-production and cosmetically-flawed products. However, technology has made manufacturers significantly more efficient, thus reducing the merchandise available for donation. With the development of value or dollar stores, manufacturers now have a profitable outlet competing against charities for disposing of this non-saleable merchandise. Second Harvest, the nation's largest hunger relief charity, estimates that resales to these value stores have eliminated one-half of the \$4 billion of non-saleable product that used to be available for donation.

S. 37, the Good Samaritan Hunger Relief Tax Incentive Act, would re-align the economics of donating food by extending the special deduction to all business taxpayers, including the self-employed, and by increasing this deduction to the fair market value of the donation.

The hunger relief community believes that these changes will markedly increase food donations -- whether it is a farmer donating his crop, a restaurant owner contributing excess meals, or a food manufacturer producing specifically for charity. One Hoosier food bank, Second Helpings of Indianapolis, estimates that this legislation will cause an additional 400,000 pounds of food to be donated to its coffers.

This bipartisan legislation currently enjoys 14 Senate cosponsors and has been endorsed by a diverse set of organizations, including America's Second Harvest Food Banks, the Salvation Army, the American Farm Bureau, the National Farmers Union, the National Restaurant Association, and the Grocery Manufacturers of America.

Chairman Grassley recently introduced S. 312, the Tax Empowerment and Relief for Farmers and Fishermen Act (TERFF). This bill contains several important provisions aimed at providing relief for farmers and ranchers, including the creation of tax-deferred FARRM accounts, income averaging clarifications and self-employment tax relief for farmers. I am pleased that a version of our Good Samaritan Hunger Relief Act was also included as part of this legislation.

Last year, our bill passed the Senate as part of an agricultural tax amendment offered by Chairman Grassley to H.R. 8, the Death Tax Elimination Act. Although it was ultimately stripped from the underlying legislation, I believe that this vote indicates strong support for this legislation in the Senate.

I am hopeful that when this Committee begins to draft tax legislation in the coming months that it will favorably consider and include the Good Samaritan Hunger Relief Tax Incentive Act in that legislation.